

ZOMATO LIMITED.

ZOMATO Limited is one of the leading Food Services platforms in India. Its technology platform connects customers, restaurant partners and delivery partners, serving their multiple needs. Zomato has two core B2C offerings, Food delivery and Dining-out in addition to the B2B offering Hyperpure. Another important part of the business is Zomato Pro, which is the customer loyalty program and encompasses both food delivery and dining-out. As of 31st Mar 2021, Zomato was present in 525 cities in India, with 389,932 active restaurant listings along with presence in 23 countries outside India.

Positives: (a) Strong network effects driven by unique content and transaction flywheels. (b) Company's widespread and efficient on-demand hyperlocal delivery network (c) Zomato has a technology and product-first approach to business (d) Zomato is a strong consumer brand recognized across the length and breadth of India.

Investment concerns: (a) The company has a history of net losses and anticipates increased expenses in the future. (b) It may not be able to sustain historical growth rates going forward. (c) The COVID-19 pandemic, or a similar public health threat, has had an impact and could further impact the business, cash flows, and financial condition of the company. (d) Failing to retain existing restaurant partners, customers or delivery partners or failing to add new restaurant partners, delivery partners or customers, may have an adverse impact on the business.

Outlook & Valuation: The IPO is being valued at price/sales of 28.6-29.9x FY2021 revenues of ₹1,993 crore. Post a 23.5% degrowth in revenues in FY2021 due to the Covid-19 pandemic, growth is expected to pick up sharply from FY2022. Moreover, Zomato has been able to reduce its losses in FY2021 despite a degrowth in topline. We expect losses to reduce further over next couple of years due to rebound in growth and improving unit economic. Given strong delivery network, high barriers to entry, expected turnaround and significant growth opportunities in tier-II and tier-III cities, we believe that Zomato will command a premium to global peers and hence recommend to 'SUBSCRIBE' to the IPO.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	1,312.6	2,604.7	1,993.8
% chg	-	98.4	-23.5
Net Profit	-1,010.5	-2,385.6	-816.4
% chg	-	136.1	-65.8
EBITDA (%)	-170.9	-88.5	-23.4
EPS (Rs)*	(1.5)	(3.6)	(1.2)
P/E (x)	(50.1)	(21.2)	(62.0)
P/BV (x)	19.5	71.3	6.3
ROE (%)	(38.9)	(336.1)	(10.1)
ROCE (%)	(84.5)	(109.6)	(7.4)
EV/EBITDA	(26.5)	(25.8)	(127.0)
EV/Sales	45.3	22.8	29.8

Source: Company, Angel Research.

Note: Valuation ratios at upper price band. * EPS is calculated on post issue equity capital

SUBSCRIBE

Issue Open: July 14, 2021

Issue Close: July 16, 2021

Issue Details

Face Value: ₹1

Present Eq. Paid up Capital: ₹666.1 cr

Offer for Sale: ₹375 cr

Fresh issue: ₹9000 cr

Post Eq. Paid up Capital: ₹784.5cr

Issue size (amount): ₹9,375 cr

Price Band: ₹72-76

Lot Size: 195 shares and in multiple thereafter

Post-issue mkt. cap: * ₹56,485 cr - ** ₹59,623 cr

Non-Promoters/Public holding Pre-Issue: 4.2%

Non-Promoters/Public Post-Issue: 3.57%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Public	96.4%
Others	3.6%

Jyoti Roy

+022 39357600, Extn: 6842

jyoti.roy@angelbroking.com

Issue details

The issue comprises of offer for sale of upto ₹9,375 crore in the price band of ₹72-76.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	0	0.0	0	0.0
Non- Promoter	279,760,704	4.2	280,072,914	3.57
Public	6,381,208,446	95.8	7,565,106,762	96.4
Total	6,660,969,150	100.0	7,845,179,676	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

- Funding organic and inorganic growth initiatives; and.
- General corporate purposes.

Company background

Company was incorporated as “DC Foodiebay Online Services Private Limited” dated January 18, 2010, Delhi. Based on special resolution passed by Shareholders on April 3, 2020, the name of the Company was changed to “Zomato Private Limited”. As of March 31, 2021, it was present in 525 cities in India, with 389,932 Active Restaurant Listings and also has a footprint across 23 countries outside India. Zomato’s technology platform connects customers, restaurant partners and delivery partners, serving their multiple form to search and discover restaurants, read and write customer generated reviews and view and upload photos, order food delivery, book a table and make payments while dining-out at restaurants.

On the other hand, it provides restaurant partners with industry-specific marketing tools which enable them to engage and acquire customers to grow their business while also providing a reliable and efficient last mile delivery service. Zomato also operates a one-stop procurement solution, Hyperpure, which supplies high quality ingredients and kitchen products to restaurant partners. Zomato also provides their delivery partners with transparent and flexible earning opportunities. Going ahead, they have taken a conscious strategic call to focus only on the Indian markets.

Platform Offerings

Zomato has two core business-to-customer (B2C) offerings – (i) Food delivery and (ii) Dining-out, in addition to the business-to-business (B2B) offering (iii) Hyperpure. Another important part of the business is (iv) Zomato Pro, which is the customer loyalty program which encompasses both food delivery and dining-out.

Food delivery: Zomato has consistently gained market share over the last 4 years to become the category leader in the food delivery space in India in terms of Gross Order Value (GOV) from October 1, 2020 to March 31, 2021. It generates a majority of revenues from food delivery and the related commissions charged to restaurant partners for using the platform. Restaurant partners also spend for advertisements on the platform. There are 3 key stakeholders in the food delivery business: are (i) Customers, (ii) Delivery Partners, and (iii) Restaurant Partners.

Customers: On an average, 6.8 million customers ordered food every month on their platform in India in FY21 with an average monthly frequency of over 3 times. In Fiscal 2021, 99.3% of their food delivery Orders came through Zomato's mobile application.

Delivery partners: Zomato has one of India's largest hyperlocal delivery networks in terms of number of delivery partners as on FY21 (source: RedSeer). The delivery network collected food from restaurant partners and delivered it to customers with a median delivery time of approximately 30 minutes in FY21 (delivery time calculated from the time the Order is placed on mobile application to the time the Order is delivered to the customer). Zomato had 169,802 Active Delivery Partners during the month of March 2021.

Restaurant partners: Zomato had 148,384 Active Food Delivery Restaurants on the platform in March 2021. Restaurants are the backbone of the business, and they can only be viable, if they help the restaurant industry grow and succeed more than what it could do without them.

Dining-Out: Customers use their dining-out offerings to search and discover restaurants, read and write customer generated reviews and view and upload photos, book a table and make payments while dining-out at restaurants. Zomato is a preferred destination for dining-out search and restaurant discovery in India. It is the largest food-focused restaurant listing and reviews platform in terms of customer base, in India, as of March 31, 2021. In FY21, 61.8 million units of CGC was generated on Zomato's platform vs. 157 million in FY20. They are also the largest online table reservations platform in India with 3.3 million Covers booked through their platform in FY21.

They currently monetize dining-out offering through advertisement sales through which restaurant partners pay them for enhanced visibility on the platform. Zomato currently does not monetize table reservations or dining-out payments.

B2B Supplies (Hyperpure): Hyperpure is farm-to-fork supplies offering for restaurants in India. Zomato sources fresh, hygienic, quality ingredients and supplies directly from farmers, mills, producers and processors to supply to restaurant partners, helping them make their supply chains more effective and predictable, while improving the overall quality of the food being served. Hyperpure was started in 2019 and is growing rapidly. In the month of March 2021, they supplied to 9,225 restaurant partners across six cities in India. Hyperpure helps increase Zomato's engagement with restaurant partners on the platform, and in turn retain and grow Zomato's loyalty with them.

Zomato Pro: Zomato has an exclusive paid-membership program, Zomato Pro, which unlocks flat percentage discounts for their customers at select restaurant partners across both food delivery and dining-out offerings. These discounts are available to their customers on all days in a year (except during a few pre-determined festive days) and the Pro Restaurant Partners choose and fund the percentage discount available to Pro Members at their restaurants. Their customers become Pro Members by paying Zomato a membership fee. The program allows Pro Restaurant Partners to market themselves to a select audience. As of March 31, 2021, Zomato had 1.5 million Pro Members and over 25,443 Pro Restaurant Partners in India.

Exhibit 1: Key Performance Indicators

Particulars	Units	FY2019	FY2020	FY2021
Average MAU	₹ Cr	2.93	4.15	3.21
Average MAU	₹ Cr	0.56	1.07	0.68
Active Food Delivery Restaurants (in the last month of the period)	No.	94,286	1,43,089	1,48,384
GOV	₹ Cr	5,387	11,221	9,483
YOY Growth	%		108.3%	-15.5%
Orders	Cr	19.10	40.31	23.89
YOY Growth	%		111.0%	-40.7%
Total Income	₹ Cr	1,398	2,743	2,118
YOY Growth	%		96.2%	-22.8%
Adjusted EBITDA	₹ Cr	-2,144	-2,206	-325

Source: Company, Angel Research

Economics

Restaurant partner: Zomato charges their restaurant partner commissions based on an agreed upon rate. They remit to the restaurant partner a net amount equal to the cost of food ordered and packaging charges less the commission and any restaurant funded discounts. Separately, the restaurant partner may pay them for any food delivery related advertisement on the platform.

Delivery partner: Zomato remits 100% of the tips and delivery charges provided by the customer to the delivery partner (pass-through). Incrementally, they also pay the delivery partner an additional fee.

Zomato: Zomato retains the commission net of any Zomato funded discounts. Additional fee to the delivery partner is paid by them. Additionally, they also earn food delivery related advertisement sales revenue from restaurant partners.

Key Management Personnel

Kaushik Dutta is the Chairman and an Independent Director of the Company. He is a fellow member of the Institute of Chartered Accountants of India with over 25 years of experience. He has been retained as an expert on corporate governance by the Indian Institute of Corporate Affairs of the Ministry of Corporate Affairs in matters relating to future of corporate governance in India.

Deepinder Goyal is the Founder and is also the Managing Director and Chief Executive Officer of the Company. He holds an integrated master's degree of technology in mathematics and computing from the Indian Institute of Technology, Delhi.

Sanjeev Bikhchandani is a Non-Executive Director of the Company, and a nominee of Info Edge on the Board. He holds a bachelor's degree of arts in economics from the University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad.

Douglas Lehman Feagin is a Non-Executive Director of the Company, and a nominee of Alipay on the Board.

Exhibit 2: Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Total operating income	1,312.6	2,604.7	1,993.8
% chg	-	98.4	-23.5
Total Expenditure	3,556.4	4,909.4	2,461.0
Purchase of stock in trade	18.7	110.5	202.9
Changes in inventories of traded goods	-2.1	-1.6	-11.0
Employee benefits expense	600.8	798.9	740.8
Other expenses	2,939.0	4,001.6	1,528.3
EBITDA	-2,243.8	-2,304.7	-467.2
% chg	-	2.7	-79.7
(% of Net Sales)	-170.9	-88.5	-23.4
Depreciation & Amortization	43.1	84.2	137.7
EBIT	-2,286.9	-2,388.9	-604.9
% chg	-	4.5	-74.7
(% of Net Sales)	-174.2	-91.7	-30.3
Finance costs	8.6	12.6	10.1
Other income	85.1	138.0	124.6
(% of Sales)	6.5	5.3	6.3
Recurring PBT	-2,210.4	-2,263.6	-490.4
% chg	-	2.4	-78.3
Exceptional item	1,199.9	-122.0	-324.8
Tax	-	-	1.3
PAT (reported)	-1,010.5	-2,385.6	-816.4
% chg	-	136.1	-65.8
(% of Net Sales)	-77.0	-91.6	-40.9
Basic & Fully Diluted EPS (Rs)*	-1.5	-3.6	-1.2

Source: Company, Angel Research; * EPS is calculated on post issue equity capital

Exhibit 3: Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	0.03	0.03	0.03
Instruments Equity in Nature	243.7	252.4	454.9
Other equity (Retained Earning)	2,356.1	457.4	7,643.8
Shareholders' Funds	2,599.9	709.8	8,098.7
Non Controllable Interest	-31.4	-6.5	-5.7
Total Loans	1.3	1.5	1.4
Other liabilities	137.5	1,474.8	92.8
Total Liabilities	2,707.3	2,179.5	8,187.2
APPLICATION OF FUNDS			
Property, plant and equipment	39.8	36.4	23.4
Right of use asset	92.4	66.8	60.5
Capital work in progress	0.3	0.2	-
Goodwill	188.5	1,209.3	1,247.8
Other intangible assets	68.9	278.0	207.4
Intangible assets under development	0.4	0.8	0.1
Current Assets	2,971.8	1,263.4	4,150.5
Inventories	2.1	3.7	14.8
Investments	2,137.3	323.9	2,205.2
Trade receivables	70.3	123.1	129.9
Cash and cash equivalents	212.4	167.2	306.5
Other bank balances	26.3	192.7	597.1
Other financial assets	397.3	111.1	629.5
Tax assets (net)	9.8	40.0	44.5
Other current assets	116.4	301.6	223.0
Current Liability	706.1	720.8	516.4
Net Current Assets	2,265.7	542.5	3,634.2
Other Non-Current Asset	51.2	45.5	3,013.8
Total Assets	2,707.3	2,179.5	8,187.2

Source: Company, Angel Research

Exhibit 4: Consolidated Cash flows

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Operating profit before working capital changes	-1,903.2	-2,126.9	-279.8
Net changes in working capital	187.9	15.3	-756.7
Cash generated from operations	-1,715.3	-2,111.6	-1,036.5
Direct taxes paid (net of refunds)	-27.7	-32.1	18.6
Net cash flow from operating activities	-1,742.9	-2,143.6	-1,017.9
Payment to acquire liquid mutual fund units	-4,086.8	-2,147.9	-8,340.9
Proceeds from sale of liquid mutual fund units	2,824.6	4,012.7	6,520.8
Others	-12.1	-129.6	-3,423.5
Cash Flow from Investing	-1,274.3	1,735.2	-5,243.6
Proceeds from issue	2,264.5	391.6	6,608.3
Loan taken during the year	-	-	1.9
Loan repaid during the year	-0.1	-	-4.5
Transaction cost on issue of shares	-2.3	-1.8	-1.2
Share based payment on cancellation	-	-	-177.1
Income on assignment of contracts	888.1	-	-
Other Financing activity	-19.7	-30.9	-25.5
Cash Flow from Financing	3,130.5	358.9	6,401.9
Inc./(Dec.) in Cash	113.3	-49.5	140.3
Opening Cash balances	100.4	212.4	167.2
Forex Difference	-1.3	4.3	-1.7
CCE acquired through business combination	0.0	0.0	0.7
Closing Cash balances	212.4	167.2	306.5

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	(50.1)	(21.2)	(62.0)
P/CEPS	(52.3)	(22.0)	(74.6)
P/BV	19.5	71.3	6.3
EV/Sales	45.3	22.8	29.8
EV/EBITDA	(26.5)	(25.8)	(127.0)
Per Share Data (Rs)			
EPS (Basic)	(1.5)	(3.6)	(1.2)
EPS (fully diluted)	(1.5)	(3.6)	(1.2)
Cash EPS	(1.5)	(3.5)	(1.0)
Book Value	3.9	1.1	12.2
Returns (%)			
ROE	(38.9)	(336.1)	(10.1)
ROCE	(84.5)	(109.6)	(7.4)
Turnover ratios (x)			
Receivables (days)	19.6	17.3	23.8
Inventory (days)	0.6	0.5	2.7
Payables (days)	104.6	37.7	54.4
Working capital cycle (days)	(84.5)	(19.9)	(27.9)

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.comWebsite: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.